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SUBJECT: MADRID WEEKLY ECON/AG/COMMERCIAL UPDATE REPORT

MADRID 00000510 001.2 OF 002

EIND: Tourism in Spain still going Strong
EAGR/TBIO: Negative Press for Biotechnology
ELTN: Spain to Morocco via rail link
SENV: Climate Change Ambassador soon to be named
EINV: Spaniard makes Forbes top 10 list
EINV: Breakfast with Latin America investors

TOURISM REMAINS STRONG

11. (U) Visits to Spain in January 2007, primarily from Britain and Germany, but increasingly from France, Italy, and Scandinavia, were up 4 percent over January 2006. According to the Ministry of Industry, Trade, and Tourism, tourism volume to the Canary Islands fell slightly, but increased in Catalonia and the Basque Country. Spain is the world's second-largest tourist destination, after France. (Ministry of Industry, Trade and Tourism)

BAD NEWS FOR BIOTECHNOLOGY'S FUTURE

12. (U) During the last week of February, we noted an increase in the number of negative press references regarding agriculture biotechnology from representatives of the Spanish Ministry of Agriculture (MOA), and many of them attributed to MOA Minister Elena Espinosa. Given that Spain's coexistence decree (Decree) is still being debated, we were concerned that Minister Espinosa may have been "setting up" to announce the Decree and that it might contain new provisions (reportedly demanded by the Ministry of the Environment (MOE)) that could greatly reduce or eliminate the use of agriculture biotechnology in Spain. In our review of the press articles, where Minister Espinosa responded negatively to questions about biotechnology, it appears that her objective was to promote the MOA's new 35.8 million Euro plan for organic agriculture, and not to bash biotechnology. Our contacts at the MOA continue to insist that while this Government (and Minister Espinosa, in particular) is not supportive of agriculture biotechnology, the MOA will not cede to the demands of the MOE regarding the terms of the Decree, which could preclude future agriculture biotechnology use in Spain.

PM ZAPATERO ANNOUNCES RAIL LINK FROM SPAIN TO MOROCCO

13. (U) Spanish Prime Minister Jose Luis Rodriguez Zapatero announced on March 6 an ambitious project to link Spain and Morocco via a rail link under the Gibraltar Strait. Zapatero has pledged to rally European Union support for the plan and called it a "historic project" that would "change Africa and Europe, and more particularly Morocco and Spain." The plan calls for a 39 km rail tunnel to be dug under the seabed, at

an estimated cost of between seven and 17 billion USD. Zapatero acknowledged that the project will require major financial backing and EU support before it will proceed. Other EU member states have already questioned the wisdom of such a plan given the current flow of illegal immigrants into the EU from Morocco via Spain.

SPAIN TO NAME CLIMATE CHANGE AMBASSADOR

¶4. (U) Foreign Minister Moratinos announced March 8 that the Spanish Government would "soon" name a "Special Ambassador" for Climate Change. Moratinos, noting that climate change requires an "agile and committed multilateral response," admitted that Spain is "still far" from meetings it Kyoto Protocol objectives. (Note: Kyoto called for Spain to have greenhouse gas emissions levels in 2012 of no more than 15 percent above 1990 levels. In 2005, Spanish emissions levels were 53 percent above 1990 levels. End Note.) Media has speculated that one possible candidate for the position is Spanish Ambassador to Mexico Cristina Barrios. (Note: Just before this cable was transmitted, the Spanish cabinet announced that Spanish Ambassador to Mexico Cristina Barrios would indeed get the nod.)

SPANIARD MAKES FORBES TOP TEN RICHEST PEOPLE IN THE WORLD

¶5. (U) Amacio Ortega is ranked the number eight richest person on the planet with an estimated fortune of USD 24 billion. He is the owner of the Galicia-based textile retail group, Inditex. Ortega is pretty low profile in Spain, although everybody knows who he is. Inditex's most well-known brand is Zara, which is becoming more and more popular around the world. It can now be found, for instance, on the best streets of New York. Zara's basic business model is to make affordable stylish clothing for women and men (although women tend to be the most addicted Zara shoppers). The company relies on repeat shoppers who come back for the latest at a decent price. The group has a very sophisticated

MADRID 00000510 002.2 OF 002

information technology system that allows it to figure out quickly what people are buying and then make it available. There are 19 more Spaniards in the top 717 of the richest people on earth, mostly in construction. (El Pais, 5/10/07)

AMBASSADOR HOSTS 5/9/07 BREAKFAST FOR SPANISH COMPANIES WITH MAJOR INVESTMENTS IN LATIN AMERICA

¶6. (U) We thought it would be a good idea to solicit ideas from Spanish businesses with major stakes in Latin America. The date of the breakfast turned out to be timely given the President's trip to Latin America. Repsol, BBVA, Santander, FCC, OHL, ACS, Endesa and Iberdrola sent their CEO, deputy or senior executives to the event. The executives were pleased that the President was traveling to the region in order to dispel the perception that after 9/11, the U.S. lost interest in Latin America. Peru's Alan Garcia was something of a pleasant surprise - that country was key in their opinion in countering the region's populist trend. Spain could contribute by showing how a modern state functions, especially with respect to creating a modern tax collection system. The development of a bigger middle class was crucial. The U.S. needs to continue to push free trade. Some Latin American leaders have made extraordinary efforts to promote free trade, for instance Peru's Alan Garcia. The executives all agreed that Mexico had been very lucky in electing President Calderon. However, the Santander representative, himself Mexican, said that this was the "last chance" for a free market oriented government to deliver for Mexico's poorer people. If it did not, Mexico would definitely turn left in five and a half years. While Lopez Obrador may be politically moribund, his ideas have not died. (Comment: Perhaps the most striking thing about this essentially conservative business group was that there was a broad consensus that if free market economics in Latin

America are to continue to thrive, the region must get governance issues right. The group was convinced that Spain's successful transition over the last thirty years from a country with a protectionist economic structure with a low tax take to a country with open markets, a moderate (by OECD standards) tax take and efficient government was a model worth emulating.)
Aguirre